

## 7. Municipal Finances

### Historical Valuations and Taxes

Both the City of Brewer and the State of Maine compute valuations for the City (“valuation” in this context is the sum total of the value of all properties in the City). The State compiles and adjusts its figures to reflect actual property transactions, and hence market values. In theory, Brewer’s valuations will reflect market value only in those years in which the City conducts a revaluation and adjusts values to reflect market conditions. Brewer completed a revaluation in 2006. State valuation figures for any given year are two years old, and thus do not reflect recent changes in property values. State law requires that when a municipality’s valuation drops below 70% of the State valuation, a revaluation must be undertaken.

Table 1 provides a summary of Brewer’s State valuation, municipal valuation, the property tax commitment and tax rate for the years 2005 through 2014 (the most recent year for which data is available), as reflected in municipal valuations prepared by the Maine Revenue Services Bureau and in data compiled by the City of Brewer. During the period 2005 through 2014, Brewer’s valuation rose from \$598.3 million to \$772.6 million, a gain of about 29%. Property taxes during that period have fluctuated somewhat, but have remained relatively stable.

A high valuation does not necessarily mean that taxes are high. A community with a high valuation can raise a given sum of money with a relatively low tax rate, whereas a community with a low valuation can raise the same amount of money only with a higher tax rate.

<b>Table 1</b> <b>Brewer Valuations and Taxes</b>				
<b>Year</b>	<b>State Valuation in \$</b>	<b>City Valuation in \$</b>	<b>Brewer Tax Commitment in \$</b>	<b>Tax Rate</b>
2005	551,650,000	598,279,600	12,670,545	0.02118
2006	623,450,000	616,588,800	12,366,860	0.02006
2007	677,700,000	656,676,100	12,411,178	0.01890
2008	738,950,000	735,732,800	13,279,989	0.01805
2009	746,850,000	786,195,600	14,112,223	0.01795
2010	746,500,000	781,762,800	14,032,642	0.01795
2011	737,900,000	778,524,400	13,974,513	0.01795
2012	732,150,000	773,256,900	13,879,973	0.01795
2013	716,000,000	779,637,300	14,805,312	0.01899
2014	715,750,000	772,610,300	16,163,007	0.02092

Sources: Municipal Valuation Returns, 2005-2011, Maine Revenue Services; City of Brewer

## Valuation Comparisons

State valuation comparisons and full value per capita valuations are two measures of a community's wealth relative to other communities. Table 2 contains a summary of State valuations and per capita valuations for Brewer and a number of comparison communities with similar populations. Brewer's 2011 per capita valuation (\$77,821) is higher than that of Bangor, Old town, Orono, Presque Isle, Winslow and Penobscot County as a whole, but lower than per capita valuations for Ellsworth, Rockland, Winslow and the State of Maine as a whole.

Table 2 also contains 2011 local taxes per capita. While Brewer compares favorably with most of the jurisdictions shown in the table, these figures do not reflect the extent to which commercial and industrial properties contribute to tax payments. Note: The 2011 tax commitment shown in the state's Municipal Valuation Report is actually the Brewer tax commitment for FY 2012. It is not known whether the FY 2011 data for other communities is also for another fiscal year.

<b>Table 2</b> <b>Comparative Valuations Figures</b>					
	<b>2010 Population</b>	<b>2011 State Valuation in \$</b>	<b>Full Value Per Capita</b>	<b>2011 Tax Commitment</b>	<b>Local Taxes Per Capita</b>
Brewer	9,482	737,900,000	\$77,821	\$13,879,973	\$1,464
Bangor	33,039	2,446,650,000	\$74,053	\$48,436,059	\$1,466
Ellsworth	7,741	1,086,500,000	\$140,357	\$15,597,761	\$2,015
Old Town	7,840	506,600,000	\$64,617	\$8,787,951	\$1,121
Orono	10,362	414,600,000	\$40,012	\$8,816,656	\$851
Presque Isle	9,692	565,150,000	\$58,311	\$12,085,137	\$1,247
Rockland	7,297	792,050,000	\$108,544	\$14,513,098	\$1,989
Topsham	8,784	837,800,000	\$95,378	\$15,022,904	\$1,710
Winslow	7,794	580,150,000	\$74,435	\$8,743,500	\$1,122
Penobscot Co	153,923	10,687,200,000	\$69,432	\$174,845,116	\$1,136
Maine	1,328,361	163,424,200,000	\$123,027	\$2,100,857,920	\$1,582

Source: 2011 Municipal Valuation Returns, Maine Revenue Services and calculations

## Industrial Valuation

According to information provided by the City of Brewer, 45% of the City's valuation comes from commercial/industrial/personal property, and 55% comes from residential property. Table 3 shows that industrial property in Brewer constitutes 3% of the tax base, which is more than some of the other jurisdictions shown in the table but less than half the percentage in Old Town, Rockland and Winslow. The State's Municipal Valuation Returns reports do not reflect commercial valuation, so comparisons with other communities cannot be derived from those reports. Note: The 2011 data shown in the state's Municipal Valuation Report is actually Brewer data for FY 2012. It is not known whether the FY 2011 data for other communities is also for another fiscal year.

**Table 3**  
**Industrial Valuation**

	<b>2011 Municipal Valuation</b>	<b>2011 Industrial Valuation</b>	<b>% Industrial of Total</b>	<b>2011 Tax Rate</b>	<b>2011 Amount Raised from Industrial</b>
Brewer	\$773,256,900	\$25,539,100	3%	0.01795	\$458,427
Bangor	\$2,522,711,400	\$95,840,300	4%	0.01920	\$1,840,134
Ellsworth	\$1,071,274,810	\$21,900,600	2%	0.01456	\$318,873
Old Town	\$480,215,900	\$26,878,800	6%	0.01830	\$491,882
Orono	\$413,927,500	\$1,649,700	0.4%	0.02130	\$35,139
Presque Isle	\$514,261,150	\$27,036,400	5%	0.02350	\$635,355
Rockland	\$772,795,400	\$50,669,900	7%	0.01878	\$951,581
Topsham	\$930,210,790	\$16,537,460	2%	0.02130	\$352,248
Winslow	\$564,096,800	\$47,207,600	8%	0.01550	\$731,718

Source: 2011 Municipal Valuation Returns, Maine Revenue Services and calculations

## Residential Taxes

Taxes on homes in Brewer are roughly equivalent to the other jurisdictions shown in Table 4. The tax on the median value home (2010 Census) is \$3,003, which is above five of the jurisdictions and below three of them. However, since the median value home constantly changes, it may be more meaningful to pick a single home value for all jurisdictions and compare the potential taxes. Using a figure of \$175,000, Brewer's taxes would be below all jurisdictions except Ellsworth and Winslow.

**Table 4**  
**Tax on Median Value Home**

	<b>2011 Tax Rate</b>	<b>Median Home Value</b>	<b>Tax on Median Value Home</b>	<b>Tax on \$175,000 Home</b>
Brewer	0.01795	\$167,300	\$3,003	\$3,141
Bangor	0.01920	\$149,400	\$2,868	\$3,360
Ellsworth	0.01456	\$172,600	\$2,513	\$2,548
Old Town	0.01830	\$139,100	\$2,546	\$3,203
Orono	0.02130	\$190,500	\$4,058	\$3,728
Presque Isle	0.02350	\$110,000	\$2,585	\$4,113
Rockland	0.01878	\$178,200	\$3,347	\$3,287
Topsham	0.02130	\$208,000	\$4,430	\$3,728
Winslow	0.01550	\$138,400	\$2,145	\$2,713

Source: 2011 Municipal Valuation Returns, Maine Revenue Services and calculations

## Municipal Revenues and Expenses

Table 5 on the next page contains a summary of City revenues and expenses for the period FY 2010 through FY 2013. The information in Table 5 is taken from the City's annual audits but does not show any of the detailed breakdowns contain in those reports. As shown in Table 5, there has not been much fluctuation in the various categories during the four-year period.

<b>Table 5</b> <b>Municipal Revenues and Expenses 2010-2012</b> <b>Year Ending June 30</b>					
<b>Revenues</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	
Taxes	\$15,758,951	\$15,423,197	\$15,481,028	\$16,361,331	
Licenses and permits	334,281	397,916	427,092	360,450	
Intergovernmental	9,293,016	10,761,313	11,195,321	10,604,338	
Local sources	6,284,103	4,985,598	4,811,011	4,999,529	
Interest earned	47,082	32,399	23,010	11,999	
<b>Total revenues</b>	<b>\$31,717,433</b>	<b>\$31,600,423</b>	<b>\$31,937,462</b>	<b>\$32,337,647</b>	
Other financing sources					
Reserves and carry forwards	\$9,921	\$15,300	\$4,861	\$6,000	
Transfers from other funds	156,516	373,352	421,723	361,340	
Transfers to other funds	-	-	-22,000	-312,680	
<b>Total other financing</b>	<b>\$166,437</b>	<b>\$388,652</b>	<b>\$404,584</b>	<b>\$54,660</b>	
<b>Expenditures</b>					
Administration	\$1,885,630	\$1,680,336	\$1,758,726	\$1,738,949	
Protection	4,260,272	4,153,955	4,203,418	4,335,989	
Public services	253,815	256,477	297,092	166,141	
Public works	1,834,957	1,917,650	2,048,852	2,117,653	
Unclassified	2,673,873	2,718,608	2,748,029	2,705,159	
Education (see note)	16,543,241	18,001,032	18,341,028	19,180,056	
Debt service principal	2,539,466	1,348,578	1,351,588	1,501,735	
Debt service interest	972,225	779,348	820,460	624,348	
Assessments	1,200,760	839,247	870,461	1,096,333	
<b>Total expenditures</b>	<b>\$32,164,239</b>	<b>\$31,695,231</b>	<b>\$32,439,654</b>	<b>\$33,466,363</b>	

Source: City of Brewer Annual Financial Reports, 2010-2013

Note: The increase in Education expenditures from 2010 to 2011 was due to commencement of debt service payments on the Brewer Community School. The State pays 93% of this BCS debt service.

Some of the City's major revenue sources for FY 2012 that are not shown separately in Table 5 include:

- Property taxes: \$13,946,616
- State aid for education: \$9,676,726
- School department tuition and fee revenue: \$2,745,718
- Vehicle excise taxes: \$1,441,723

• TIF revenues:	\$996,980
• State revenue sharing:	\$965,668
• Parks and Recreation:	\$395,130
• Public Works:	\$396,522
• Ambulance fees:	\$362,786
• Homestead Exemption:	\$182,282
• State Local Road Assistance Program:	\$134,300
• Cable television:	\$114,284

**Grants.** Over the past decade, the City has increased its use of alternative sources of revenue to supplement tax dollars. The City has aggressively pursued grant opportunities and been successful at bringing tens of millions of dollars to the community to support important development projects including stabilization of the Penobscot River shoreline, the start of the waterfront trail, remediation and redevelopment of the former Eastern Fine Paper mill site and the former school properties, and multiple water and sewer improvement projects, among others.

**TIF Revenue.** In this time period, the City has also effectively used tax increment financing (TIF) to generate revenue dedicated for approved infrastructure improvements and economic development expenses. The TIF program allows the City to capture a portion of new taxable value generated by a project and use those new tax revenues for certain state-approved expenses in support of economic development. In some cases, a fraction of the new tax revenue might be returned to the company to support its business operations. However, in Brewer, the City retains most of the TIF revenue and uses the funds to pay for approved operating and capital expenses related to economic development. In FY13, the City returned just 7% of TIF revenue to companies.

The most significant benefit TIFs provide is a tax-sheltering effect. Tax value that is included in a TIF district is excluded from our State Assessed Valuation, which is used to calculate our State revenue sharing, State aid to education and County tax amounts. By sheltering tax value in TIFs, we lower our state valuation, which in turn results in higher revenue sharing and education subsidies and lower County tax bills. As part of the most recent TIF approved in 2010, the City calculated that \$0.53 of every new, unsheltered tax dollar generated in Brewer leaves the City as a result of lower subsidy payments or higher tax payments. In contrast, the City gets to keep—and use in the community—100% of tax dollars generated in TIF districts.

**Impact Fees.** Impact fees are another economic development tool the City uses. Impact fees are a charge on new development to help fund and pay for the construction or expansion of needed infrastructure improvements to support the development zone. Brewer has one impact fee zone that extends along Wilson Street from Parkway South to I-395 and across to Dirigo Drive. All business proposals within the zone are evaluated to determine whether they generate new vehicle trips and new water and/or sewer usage. If so, the impact fee they owe is determined by that specific growth impact. The fees collected support the cost of nine specific infrastructure improvements the City made to facilitate development in this zone.

## Long-Term Debt

According to the Annual Financial Report (audit) for the year that ended June 30, 2012, the City of Brewer had total bonds outstanding as of that date of \$40,892,788. This included \$18,751,868 for governmental activities and \$22,140,920 for business-type activities (water and sewer).

State law limits the amount of general obligation debt a municipality may issue to 15% of its total assessed valuation, with a further limit of no more than 7.5% of state assessed valuation in enterprise fund debt. The current debt limit for the City of Brewer is \$109,822,500 and \$54,911,250 for its water and sewer funds.

Brewer is rated Aa3 by Moody's Investors Service and AA- by Standard and Poor's. The City received its most recent upgrades from both firms in 2010. The City is proud of its strong bond rating, which speaks to the City's sound financial management and overall fiscal health. A high bond rating assists the City in obtaining long term bond financing at favorable interest rates.

## Analysis

1. **How future capital investments identified in the plan will be funded.** Future capital investments identified in the Comprehensive Plan will be funded through the City's Capital Improvements Program.
2. **Borrowing capacity.** As documented in the Annual Financial Report, Brewer has sufficient borrowing capacity to fund future capital obligations. As of June 30, 2012, the City's total debt amounted to 37% of its statutory limit.
3. **Extent to which Brewer shares capital investments with neighboring communities.** Brewer works closely with a number of communities in the sharing of its capital assets. Examples include public safety (police, fire, ambulance), sewage treatment septic tank waste services) and water supply.